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NORTHERN DIVISION
OFFICE OF REPORTS AND ESTIMATES
CENTRAL INTELLIGENCE AGENCY

WORKING PAPER

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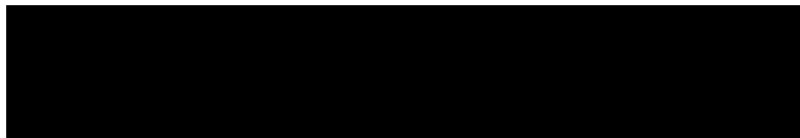
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Intelligence Summary No. 34

3 October 1949

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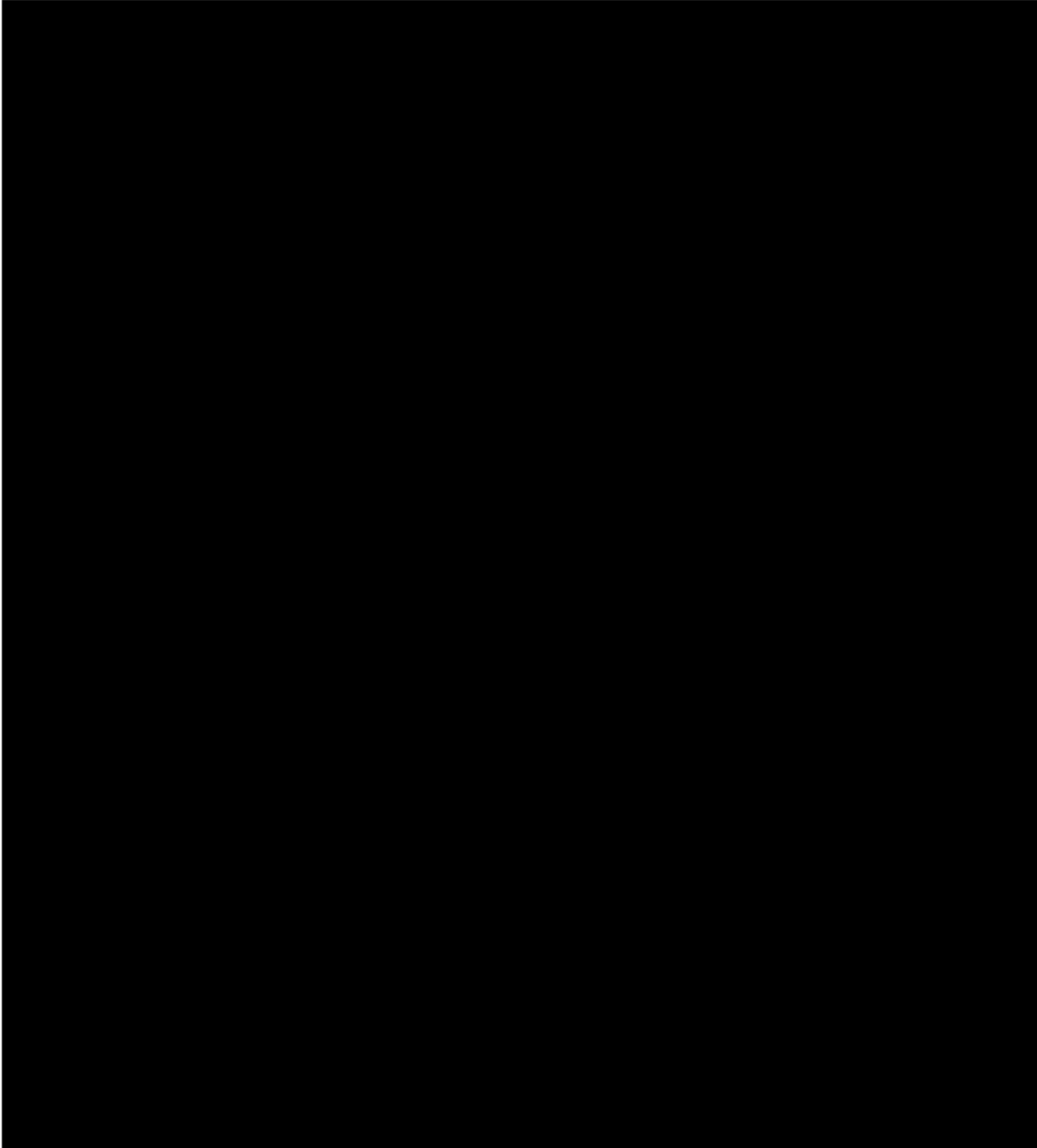
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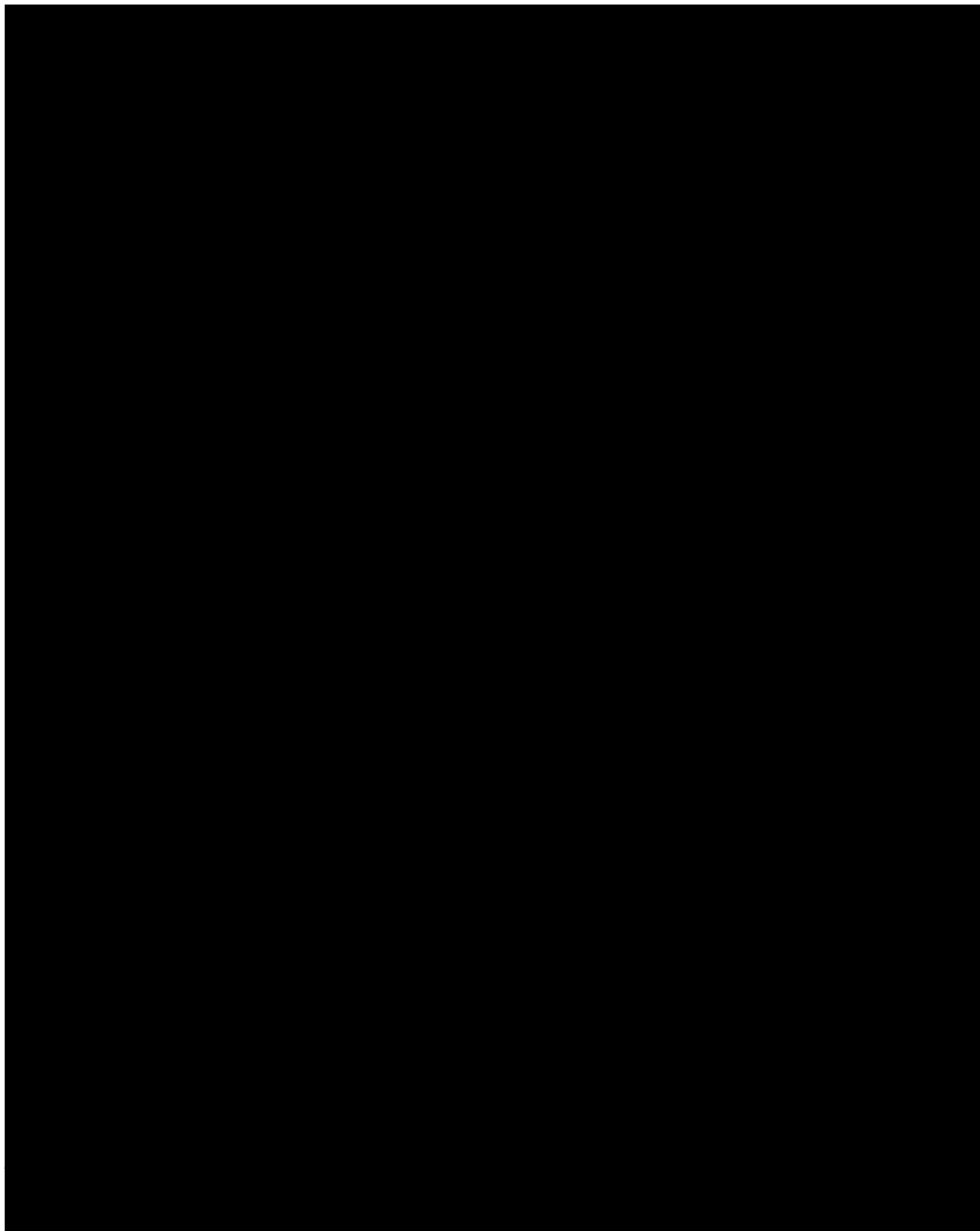
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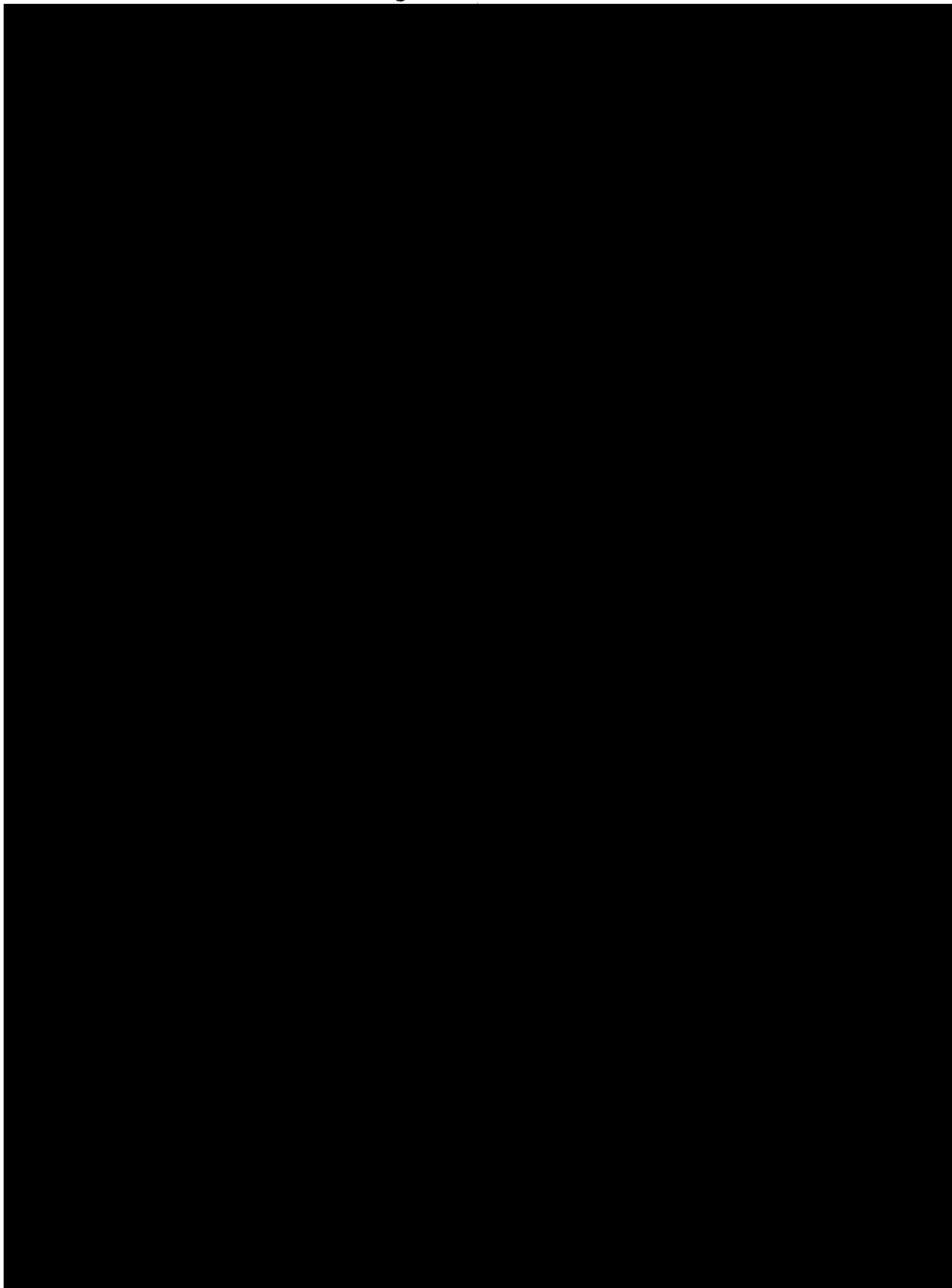
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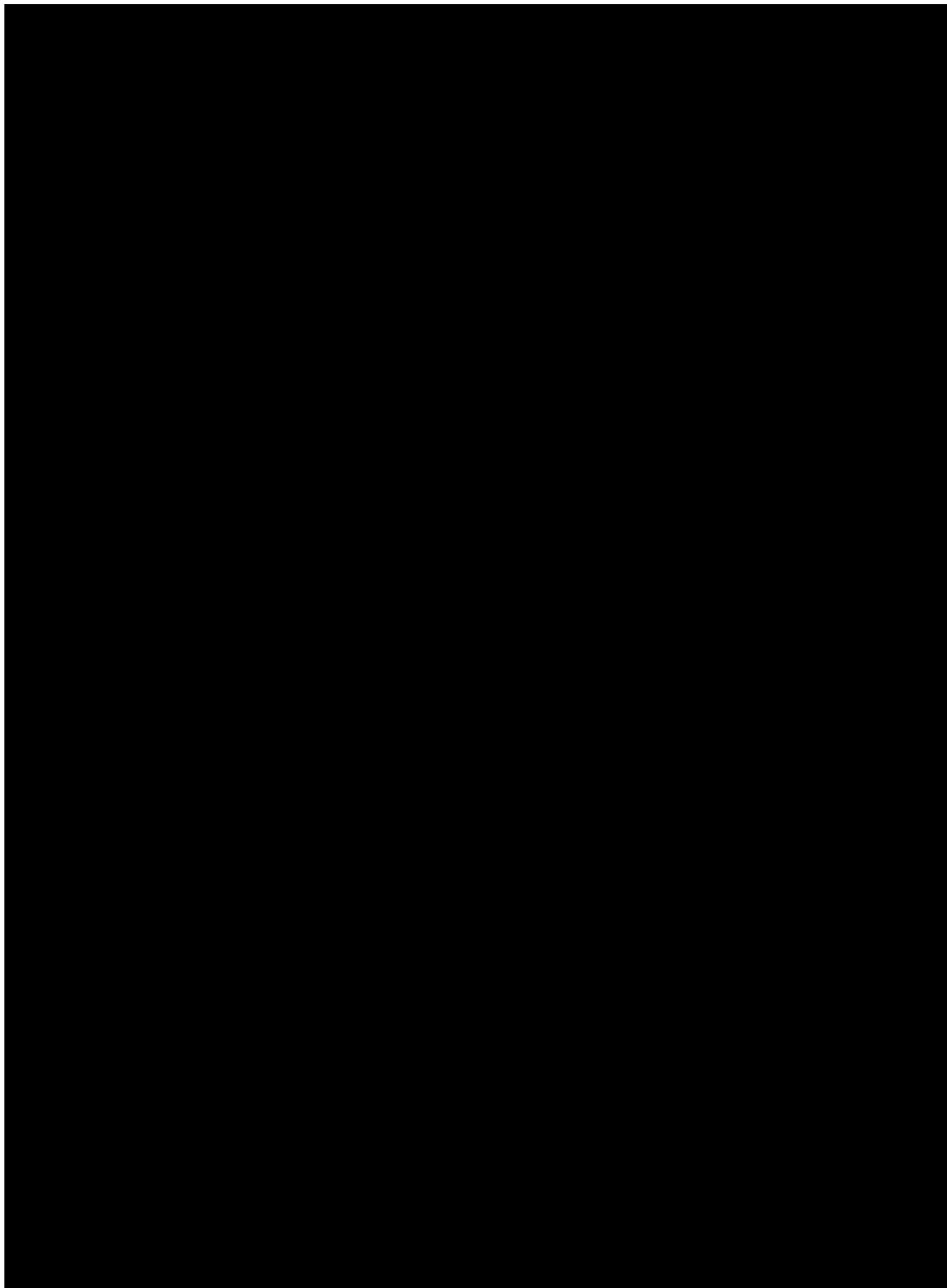


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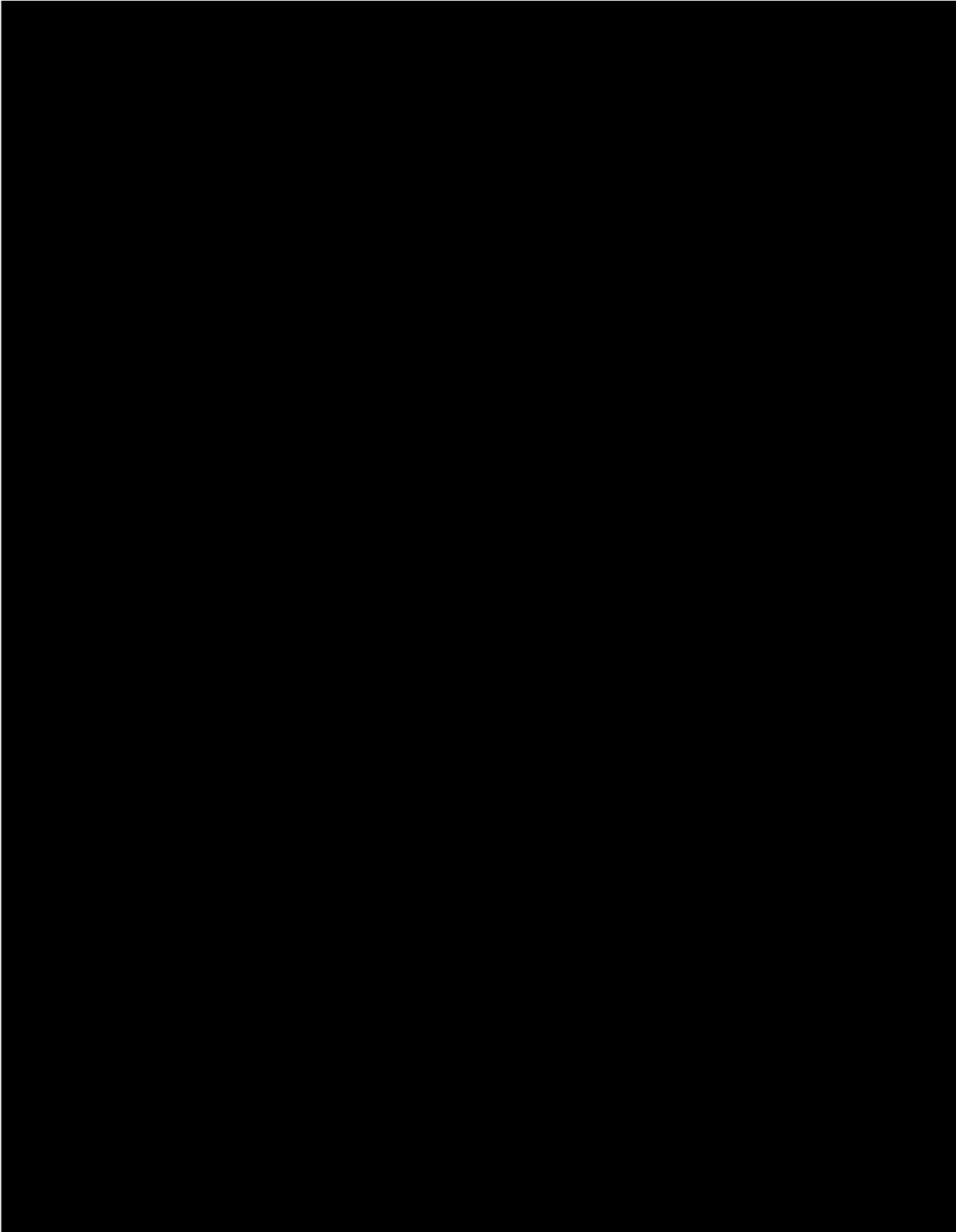
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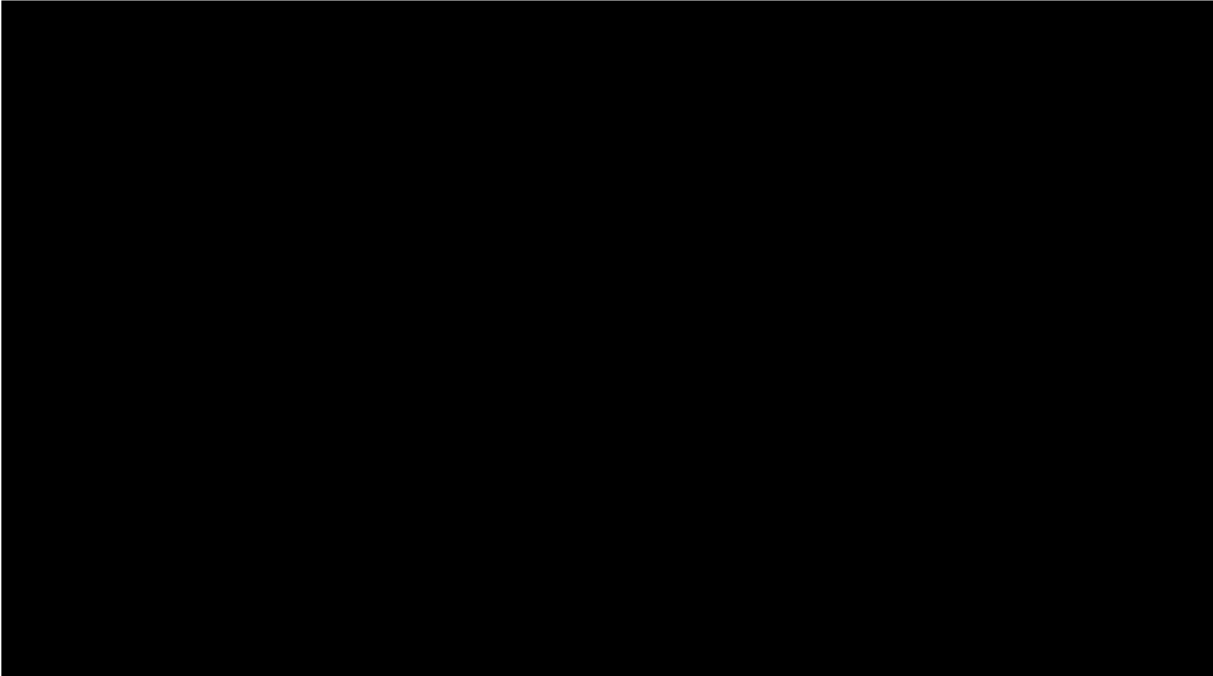
*See NS Weekly No 31, 12 September

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IRELAND

9. US fails to win air concessions from Irish

Recent US-Ireland discussions have not advanced the aim of US air carriers to be permitted to land at Dublin and omit Shannon, which is about 120 miles from the capital. Eventually the Irish will probably grant such permission, but at present all transatlantic planes landing in Ireland continue to be bound by the terms of the bilateral air agreement to land at Shannon. The Irish have a large investment in Shannon which it would be dangerous politically for the Government not to protect. Minister for External Affairs MacBride has stated that the Government's answer to the proposals put forth by the US in the recent discussions must await agreement with the Opposition. Favorable action on the US proposals is not likely at this time because of the financial and political considerations involved and because the Irish are somewhat irritated by the pressures applied by the US during the talks. However, it is not likely that such antagonisms as have been aroused will seriously affect US-Ireland relations.

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SCANDINAVIAN BRANCHGENERAL1. News of Soviet atomic explosion received calmly in Scandinavia

Despite extensive press and radio treatment of President Khrushchev's disclosure that an atomic explosion has occurred in the USSR, the general reaction in Scandinavia has been one of relative calm with the major surprise element lying in the apparent rapidity of Soviet development in the atomic field. The non-Communist press strongly indicates that, since there is no longer an atom monopoly, effective international controls are of increased importance. There is widespread belief that the USSR's international position has been greatly strengthened, and fear that the Soviets will successfully exploit the propaganda aspects of the atomic explosion. The Communist press in all three countries has followed the line that the Soviets will use nuclear knowledge for peace and will patiently continue efforts to gain international controls of atomic energy despite "warmongering" of the Western powers.

Within Denmark stress is placed on the necessity for immediate revision of the Western democracies' defense plans and some attention is focused on the strategic importance of Greenland in polar warfare. In Norway most Norwegians appear more disturbed by currency devaluation, and some speculate whether the President's announcement was a statement of fact with disclosure timed to influence favorably Congressional action on MAP or, if not a fact, merely a political maneuver. In Sweden press and radio treatment was more sensational than in Denmark or Norway; advocates of Swedish neutrality and proponents of close cooperation with the Western powers both claim the disclosure supports their point of view. Since supporters of neutrality are in the majority, Sweden is expected to tend even more toward a neutral stand.

NORWAY1. Elections to be held 10 October

With national elections for the Storting (parliament) only a week off and the campaign in full swing for about a

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month, the pre-election picture has not changed appreciably since the beginning of the campaign.* The Labor Party is assured a plurality, but there is no conclusive evidence that it can maintain the absolute majority which it now holds by the slim margin of one seat. The advantage which the Labor Party hoped to achieve by the abolition of combined lists (the practice of pooling votes after the election) may be counteracted by the fact that two or more of the bourgeois parties in certain districts have already submitted joint lists of candidates. It still appears certain that the Communist Party will lose about half of its 11 mandates; therefore while the Labor Party will lose votes to the rightist parties it will benefit from Communist losses. It is unlikely that the Labor Party will lose sufficient votes to cause it to refuse to form a government or to seek a coalition.

* See NB Weeklies No 63, 13 June; No 79, 29 August.

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~~CONFIDENTIAL~~US Dollar Receipts of the Sterling Area

The seriousness of the decline in the sterling area's receipts of US dollars in the first half of 1949 as compared with the corresponding period of 1948 is reflected in the following analysis. Of the ten countries which in 1948 accounted for almost 95% of the total US imports from the sterling area,* all except two showed heavy declines in value in the first half of 1949 over that of 1948, the overall loss being 17.6%. The gain shown by Pakistan is misleading from the point of view of this study as the figures almost certainly reflect a normal recovery from the dislocations experienced by that country during the partition of the sub-continent in 1947.

US Imports, for consumption, from selected Sterling Area countries 1948 and 1949 (\$ million)

<u>Country of Origin</u>	<u>First Quarter</u>		<u>Second Quarter</u>	
	<u>1948</u>	<u>1949</u>	<u>1948</u>	<u>1949</u>
Malaya	75.8	56.2	59.2	49.5
India	66.4	66.9	75.4	61.5
United Kingdom	68.1	60.5	67.1	43.6
South Africa	33.2	26.4	33.8	21.6
Australia	43.2	29.6	22.6	19.4
Gold Coast	33.1	24.3	15.0	12.6
Ceylon	12.5	10.9	13.7	10.0
New Zealand	7.9	3.0	7.0	5.3
Nigeria	12.7	16.9	10.7	7.2
Pakistan	5.7	11.4	7.6	11.0
Total	358.6	311.1	312.1	241.7

<u>Country of Origin</u>	<u>Half Year</u>		<u>or</u> <u>%</u>
	<u>1948</u>	<u>1949</u>	
Malaya	135.0	106.7	- 21.7
India	141.8	123.4	- 9.4
United Kingdom	135.2	109.1	- 19.3

*See NS Weekly No 72, 11 July

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	1948	1949	%
South Africa	67.0	48.0	- 23.3
Australia	55.9	49.0	- 25.6
Gold Coast	48.1	36.9	- 23.2
Ceylon	20.2	20.9	- 20.2
New Zealand	14.9	8.3	- 44.3
Nigeria	28.4	24.1	- 2.9
Pakistan	18.8	22.4	- 40.6
Total	370.8	552.8	- 17.6 (av)

By far the greatest earners of US dollars, accounting for 65% of the annual total in 1948, were crude rubber, jute and its manufactures, raw wool and cocoa. The value of these four exports to the US fell off sharply in the first half of 1949, for the most part due to a fall in prices, though in the case of raw wool the volume of exports decreased over 57% while the price advanced considerably. A comparison of the dollar earnings of the four leading commodities for the first half of 1948 and 1949 is shown in the following table:

Commodity	Quantity 000 lbs.	1948 (first 6 months)		
		Value 000 \$	Unit Value \$ per lb.	
Cocoa	161,366	61,950	.38	
Rubber	577,830	103,342	.18	
Jute, raw	98,616	33,282	.34	
" mfg	432,712	119,372	.28	
Wool	61,924	64,068	1.03	
		382,514		
Commodity	Quantity 000 lbs	1949 (first 6 months)		
		Value 000 \$	Unit Value \$ per lb	% \$ change
Cocoa	208,222	51,162	.25	- 12.6
Rubber	411,940	71,151	.17	- 31.7
Jute, raw	106,880	42,382	.40	+ 21.4
" mfg	436,126	108,268	.25	- 9.3
Wool	26,411	36,393	1.38	- 43.2
		309,356		- 19.1 (av)

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This decline in dollar receipts in the first half of 1949, aside from the fall in prices, was due in part to a temporary business recession in the US, but mainly to the widespread uncertainty of the future value of the pound sterling. The repeated assertions of responsible public figures that the pound was overvalued, together with a vigorous world press campaign to this end, led prospective buyers to believe that the pound would in fact ultimately be devalued. This attitude of mind led to a buyers' strike with resultant general withholding or cancellation of orders. Where purchases were unavoidable they tended to be made on a hand to mouth basis. This was particularly noticeable in the case of raw wool, of which the US buying in the first half of 1949 was abnormally light.

One of the admitted aims of the recent devaluation of the pound sterling by 30.5% in terms of the US dollar on the part of all members of the sterling area except Pakistan is to raise sharply sterling area exports to the dollar area. It is far too early at present to predict to what extent the US market will respond to lower sterling area prices. However, lower prices for many products, the removal of the element of uncertainty as to the future value of the pound, together with a more optimistic business outlook in the US (in the absence of prolonged strikes), should result in an increase in the volume of sterling area exports to the US during the third quarter of the year.

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